

**ORION METALS LIMITED**

ACN 096 142 737

**INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 AUGUST 2017**

## **Orion Metals Limited**

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## Corporate information

Directors	Dr Yi Yang (Chairman, Non-Executive Director) Dr Feng Wu (Executive Director) Mr Bo Wang (Non-Executive Director) Mr Bin Cai (Executive Director/CFO)
Company secretary	Bill Lyne
Registered office	35 Hamish St Calamvale QLD 4116
Share registry	Link Market Services Limited Level 15 324 Queen Street Brisbane Qld 4000 Telephone: + 61 2 8280 7111 Facsimile: + 61 2 9287 0303
Auditor	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane Qld 4000 Telephone: + 61 7 3237 5999 Facsimile: + 61 7 3221 9227
Lawyers	Ashurst Australia Level 38, Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 Telephone: +61 7 3259 7000 Facsimile: +61 7 3259 7111
Stock exchange listing	Orion Metals Limited shares are quoted on the Australian Securities Exchange under the code 'ORM'
Website address	<a href="http://www.orionmetals.com.au">www.orionmetals.com.au</a>

# Orion Metals Limited

## Directors' report

The Directors of Orion Metals Limited ('Orion' or 'the Company') submit herewith the interim financial report of the Company for the half-year ended 31 August 2017.

### Directors

The names and details of the Directors of the Company in office during the half-year and until the date of this report are:

Dr Yi Yang (Non-Executive Chairman, Non-Executive Director)

Dr Feng Wu (Executive Director)

Bo Wang (Non-Executive Director)

Bin Cai (Executive Director/CFO)

### Principal activities

The principal activity of the Company during the period was exploration for rare earth metals and gold.

### Review of operations

The Company recorded a loss after tax of \$431,293 for the half-year ended 31 August 2017 (31 August 2016: \$274,618). Exploration and Evaluation expense during the half-year was \$187,462 (2016: nil).

No tenements were surrendered or relinquished during the period.

#### *Exploration activities:*

There was no on-ground exploration conducted this half-year by Orion, though efforts at desktop level continue to upgrade the technical information base across all four Project areas.

With renewed optimism of a metals recovery this year in the Australian mining and exploration industry, Orion's highly prospective REE, gold, and base metals tenure in Western Australia and Queensland will provide a robust platform for a range of exploration investment options.

Orion's exploration activities, however, remain tightly constrained while the Company's Board of Directors decides on exploration objectives and strategy.

### **Tanami West Project**

#### *Rare Earth Elements (REE) and Gold*

Orion's tenement holdings in the Tanami region now stands at 107 sub-blocks, for 321 square kilometres, of highly prospective REE and gold terrain.

During this reporting period, the Company coordinated a helicopter supported, three day field based heritage due diligence survey utilising two highly qualified Aboriginal heritage consultants. The purpose of the survey was to mitigate in the first instance, any heritage concerns across the Project area in line with the Company's responsibilities within the Aboriginal Heritage Act 1972.

The heritage survey was commissioned in anticipation of commencement of exploration operations and is an important first step to ensure planned on-ground activities do not interfere with any heritage features. This is a precursory exercise ahead of any ground disturbing mineral exploration operations such as drilling and access clearing.

With the results of the survey, access track and drill pad preparations may now proceed.

Tanami West Project remains a highly valued, under explored, portfolio of tenements in an active gold and rare earth element mining district. Recently, Orion's neighbouring rare earth explorer, Northern Minerals, commenced open cut mining operations at its Browns Range heavy rare earth element Project, <100 kilometres north of Orion's Tanami West Project.

Orion is well positioned, in the event of REE exploration success within Tanami West Project area, to take advantage of new REE events occurring within its region.

# Orion Metals Limited

## Directors' report (Continued)

### Review of operations (Continued)

#### ***Mt Surprise Project***

*Rare Earth Elements (REE), Tin and Tungsten*

Mt Surprise tenement package remains highly prospective for tin, tungsten and rare earth elements. No on-ground exploration was conducted this period.

#### ***Top Camp Project***

Orion is still waiting on the DNRM to progress renewals of its two granted mining leases ML2785 and ML2792. All required statutory documentation was lodged within the required periods.

There has been no further progress towards a cultural and heritage (C&H) agreement with the Mitakoodi Mayi People at this stage. The Federal Court has finally made a judgement in relation to who are the legitimate representatives for the Mitakoodi Mayi families. This is important outcome for Orion in that a complex and potentially "messy" business with transitional participants in a cultural and heritage agreement has been averted.

#### ***Mt Ramsay Project***

Mt Ramsay remains a high priority exploration area for REE, specialty metals, copper and gold.

As per EPM grant conditions, 10 sub-blocks were relinquished at the end of Year 3, 10<sup>th</sup> September 2017.

### Corporate

There have been no corporate activities or changes during the period ended 31 August 2017, or since that date. Directors continue to evaluate the Company's existing tenements and investigate potential sources of funding or any joint venture opportunities across all projects to enable the Company to continue operations and carry out its exploration program over the next twelve months.

The Company also continues to seek any other attractive assets to further increase value for the benefit of all shareholders.

40,000,000 options were exercised during the period, raising \$200,000.

160,000,000 options exercisable at 0.5 cents each remain outstanding. The optionholder has advised that more of these options will be exercised as funds are required between now and the expiry date of 21 July 2018.

### Subsequent events

Other than as disclosed in this report, no other matters or circumstances have arisen since the end of the period which significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the period under review.

### Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the interim financial report.

Signed in accordance with a resolution of directors.



Mr. Bin Cai  
Director  
Brisbane, 3 November 2017

## Orion Metals Limited

### Auditor's Independence Declaration



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#### DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF ORION METALS LIMITED

As lead auditor for the review of Orion Metals Limited for the half-year ended 31 August 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Orion Metals Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular scribble.

**A J Whyte**  
Director

**BDO Audit Pty Ltd**

Brisbane, 3 November 2017

# Orion Metals Limited

## Consolidated statement of financial position As at 31 August 2017

	Note	\$ 31 August 2017	\$ 28 February 2017
<b>Current assets</b>			
Cash and cash equivalents		281,086	435,354
Trade and other receivables		9,684	1,210
Other current assets		16,432	8,896
<b>Total current assets</b>		<b>307,202</b>	<b>445,460</b>
<b>Non-current assets</b>			
Exploration and evaluation assets		-	-
<b>Total non-current assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>307,202</b>	<b>445,460</b>
<b>Current liabilities</b>			
Trade and other payables		271,982	183,919
Employee benefits		42,440	37,468
<b>Total current liabilities</b>		<b>314,422</b>	<b>221,387</b>
<b>Total liabilities</b>		<b>314,422</b>	<b>221,387</b>
<b>Net assets</b>		<b>(7,220)</b>	<b>224,073</b>
<b>Equity</b>			
Issued capital	4	14,747,717	14,547,717
Options reserve		467,838	467,838
Accumulated losses		(15,222,775)	(14,791,482)
<b>Total equity</b>		<b>(7,220)</b>	<b>224,073</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Orion Metals Limited

## Consolidated statement of comprehensive income

For the half-year ended 31 August 2017

Notes	\$ 2017	\$ 2016
Other income	-	-
Consultant and contractor expense	(31,069)	(43,225)
Salaries, wages and fees	(143,437)	(170,720)
Other administrative expenses	(70,227)	(61,896)
Exploration and evaluation expensed	(187,462)	-
	<u>(432,195)</u>	<u>(275,841)</u>
Finance income	902	1,223
Finance costs	-	-
Net finance income/(costs)	<u>902</u>	<u>1,223</u>
Profit/(Loss) before income tax	<u>(431,293)</u>	<u>(274,618)</u>
Income tax expense	-	-
<b>Profit/(loss) after income tax</b>	<b>(431,293)</b>	<b>(274,618)</b>
<b>Other comprehensive income</b>		
Other comprehensive income, net of income tax	-	-
<b>Total comprehensive income for the period</b>	<b><u>(431,293)</u></b>	<b><u>(274,618)</u></b>
<b>Loss attributable to:</b>		
Owners of the Company	<b><u>(431,293)</u></b>	<b><u>(274,618)</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b><u>(431,293)</u></b>	<b><u>(274,618)</u></b>
<b>Earnings per share</b>		
Basic earnings per share	\$(0.0012)	\$(0.0014)
Diluted earnings per share	\$(0.0012)	\$(0.0014)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Orion Metals Limited

### Consolidated statement of changes in equity For the half-year ended 31 August 2017

	Issued capital \$	Options reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 March 2017</b>	<b>14,547,717</b>	<b>467,838</b>	<b>(14,791,482)</b>	<b>224,073</b>
Net loss	-	-	(431,293)	(431,293)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(431,293)</b>	<b>(431,293)</b>
<b>Transactions with owners, recorded directly in equity</b>				
Shares issued during the half-year	200,000	-	-	200,000
<b>Balance at 31 August 2017</b>	<b>14,747,717</b>	<b>467,838</b>	<b>(15,222,775)</b>	<b>(7,220)</b>
<b>Balance at 1 March 2016</b>	<b>13,568,283</b>	<b>467,838</b>	<b>(12,254,620)</b>	<b>1,781,501</b>
Net loss	-	-	(274,618)	(274,618)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(274,618)</b>	<b>(274,618)</b>
<b>Transactions with owners, recorded directly in equity</b>				
Shares issued during the half-year	1,000,000	-	-	1,000,000
Share issue costs	(20,566)	-	-	(20,566)
<b>Balance at 31 August 2016</b>	<b>14,547,717</b>	<b>467,838</b>	<b>(12,529,238)</b>	<b>2,486,317</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Orion Metals Limited

### Consolidated statement of cash flows For the half-year ended 31 August 2017

	2017 \$	2016 \$
<b>Cash flows from operating activities</b>		
Receipts from customers & GST	12,082	19,365
Payments to suppliers and employees	(367,252)	(299,867)
Interest received	902	1,223
Net cash used in operating activities	<u>(354,268)</u>	<u>(279,279)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation assets	-	(103,641)
Net cash used in investing activities	<u>-</u>	<u>(103,641)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	200,000	1,000,000
Share issue costs	-	(20,566)
Net cash provided by/(used) by financing activities	<u>200,000</u>	<u>979,434</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(154,268)</b>	<b>596,514</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>	<u>435,354</u>	<u>114,791</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<u><u>281,086</u></u>	<u><u>711,305</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompany notes.

## Orion Metals Limited

### Notes to interim financial report for the half-year ended 31 August 2017

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# Orion Metals Limited

## Notes to interim financial report for the half-year ended 31 August 2017

### 1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 August 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The historical cost basis has been used.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 28 February 2017 and any public announcements made by Orion Metals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

### 2 Operating segments

#### *Identification of reportable operating segments*

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia.

Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level. The consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for predominantly gold and rare earth metals (REE). There have been no changes in the operating segments during the period. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

### 3 Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Consolidated Entity has incurred a net loss after tax for the half-year ended 31 August 2017 of \$431,293 and a net cash outflow from operations of \$354,268. At 31 August, the Consolidated Entity's current liabilities exceeded its current assets by \$7,220.

The Company raised \$200,000 from the issue of 40,000,000 options to Excellence Holdings HK Limited (EH) during the half-year. EH still holds 160,000,000 options as at 31 August 2017, with a term of 2 years and an exercise price of \$0.005. These options are not listed on the ASX. EH is committed to providing ongoing financial support to the Group.

The non-executive directors have given an underwritten undertaking to the Company to not seek payment of directors fees during the next twelve months.

The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on its ability to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development. These circumstances give rise to the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern.

# Orion Metals Limited

## Notes to interim financial report for the half-year ended 31 August 2017

### Going concern (continued)

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

### 4 Contributed equity

	31 August 2017	28 February 2017
	\$	\$
385,097,443 (28 February 2017: 345,097,443) fully paid ordinary shares	<u>14,747,717</u>	<u>14,547,717</u>

#### Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$
Balance at the beginning of the period		345,097,443		14,547,717
Share issue on the exercise of options	31 August 2017	<u>40,000,000</u>	\$0.005	<u>200,000</u>
Balance at 31 August 2017		<u>385,097,443</u>		<u>14,747,717</u>

### Dividends

No dividends were declared or paid during the interim period.

### 5 Contingent liabilities

The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993), may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim. No provision has been made in the financial statements for the possibility of a native title claim application.

The consolidated entity is liable to pay royalties of 1% of gross sales proceeds from the Tanami West project, capped at \$100,000. As this project is still in the early stages of exploration it is premature to determine whether a royalty will be payable in future years.

Otherwise the Directors are not aware of any contingent liabilities or contingent assets that are likely to have a material effect on the results of the consolidated entity as disclosed in these financial statements.

### 6 Events subsequent to the end of the reporting period

There have been no other significant events subsequent to the end of the reporting period.

## Directors' Declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 August 2017 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Orion Metals Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



Mr. Bin Cai  
Director

Brisbane, 3 November 2017

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Orion Metals Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Orion Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 August 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 August 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

#### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving

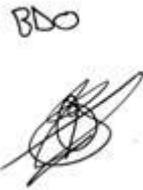
a true and fair view of the Group's financial position as at 31 August 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit Pty Ltd**



**A J Whyte**  
Director

Brisbane, 3 November 2017